AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | vernment | | | \ CU = | Пан | Local Govern | | | | С | County |
|-----------------|--|-------|------------------|---------------------|--------------------------|---------------|------------------|--------------|-------------------------|--------------------------------------|--|
| L City Audit Da | te | | | | Other Date | SHE | RMAN Date Accoun | TOWN | SHIP Submitted to Si | | County MASON |
| <u> </u> | 3-3 | | | | Date - /8 - (| | | 8-26 | 504 | | |
| Reportir | ng Forma nent of T | at fo | or Fina | 1011 0110 | Otatement |) III III GOV | ernmeniai | ACCOUNTIN | 1月 トイコロスタアペロ | R LEXCENDOR YG ent in Mici | on financial statements (ASB) and the <i>Uniform</i> (ASB) higan by the Michigan |
| 1. We | have cor | nplie | ed with | the Bu | lletin for th | e Audits of L | ocal Units | of Govern | ment in Mick | FANLANGE DL | Viikad |
| | | | | | | tered to prac | | <u></u> | TOTAL ADDVICE | <u>ngan as te</u> | |
| We furth | er affirm | the | follow | ing. "Ye I recom | es" respons mendation | ses have bee | en disclose | d in the fir | nancial state | ments, incl | luding the notes, or in |
| You mus | t check t | he a | applica | ble box | for each it | em below. | | | | | |
| yes | I ✓ no | | | | | | ncies of the | local unit | t are exclude | d from the | financial statements. |
| yes | 1 no | | There | are a | | d deficits in | | | | | und balances/retained |
| yes | V no | 3. | There 1968, | are in | stances of ended). | non-compli | ance with | the Unifor | m Accountir | ng and Bud | dgeting Act (P.A. 2 of |
| yes | | | | | | | | | Municipal Finance Act | | |
| ges | | | | | | | | | | | |
| ges | ₽ no | 6. | The lounit. | ocal unit | t has been | delinquent i | n distributi | ng tax revi | enues that w | ere collect | ted for another taxing |
| yes | yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). | | | | | | | | han 100% funded and | | |
| yes | no | 8. | The lo 1995 (| cal unit MCL 12 | uses cred 29.241). | it cards and | has not ac | lopted an | applicable p | olicy as re | equired by P.A. 266 of |
| yes [| ⊉ ∕no | 9. | The lo | cal unit | has not ad | opted an inv | estment p | olicy as re | quired by P. | A. 196 of 1 | 1997 (MCL 129.95). |
| We have | enclos | ed | the fo | llowing | g: | | | | Enclosed | To Be | |
| The letter | of comm | ent | s and r | ecomm | endations. | | Pa | rr | K | Forward | ded Required |
| Reports o | n individı | ual f | ederal | financia | al assistan | ce programs | (program | audits). | | | V |
| Single Aud | Single Audit Reports (ASLGU). | | | | | | | | X | | |
| Certified P | Certified Public Accountant (Firm Name) BERTHI AUME & COMPANY CPA 5 | | | | | | | | | | |
| Street Addi | | | | | | | | | | | |
| Accountant | countant Signature Lewnick O-Benthamie City SAGINAN State ZIP48603 | | | | | | | | | | |

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60 Harrow Lane Saginaw, Michigan 48603

> (989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

Members of the Township Board Sherman Township Mason County, Michigan

We have audited the accompanying general purpose financial statements of Sherman Township, Mason County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sherman Township as of March 31, 2004, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Sherman Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

June 18, 2004

Borthiaume & Co.

GENERAL PURPOSE FINANCIAL STATEMENTS

ALL FUND TYPES AND ACCOUNT GROUP

COMBINED BALANCE SHEET

March 31, 2004

| | GOVERN- MENTAL FUND TYPES | | | FIDUCIARY <u>FUNDS</u> Trust & Agency | | ACCOUNT GROUP General Fixed Assets | | TOTALS (memorandum only) Reporting Entity | |
|---|------------------------------------|------------------|-------------|--|----|--|----|---|--|
| | _ | General | | | | | | | |
| ASSETS: | | | | | | | | | |
| Cash and cash equivalents Taxes receivable Property, plant, and equipment | \$ | 162,528 5,869 | \$ | 7,097 - | \$ | - - 96,976 | \$ | 169,625 5,869 | |
| Total assets | \$ | 168,397 | \$ | 7,097 | \$ | 96,976 | \$ | 96,976 272,470 | |
| LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable Total liabilities | \$ | 1,946 1,946 | \$ | | \$ | | \$ | 1,946 | |
| | | 1,740 | | - | | | | 1,946 | |
| Fund Equity: Investment in general fixed assets Fund Balance: Unreserved: | | - | | - | | 96,976 | | 96,976 | |
| Undesignated Designated | | 160,623 5,828 | | 7,097 - | | - | | 167,720 5,828 | |
| Total fund equity | | 166,451 | | 7,097 | | 96,976 | · | 270,524 | |
| Total liabilities and fund equity | \$ | 168,397 | \$ | 7,097 | \$ | 96,976 | \$ | 272,470 | |

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

| | GOVERNMENT FUND TYPES | | |
|--|--------------------------|--|--|
| REVENUES: | General Fund | | |
| Property taxes | | | |
| Licenses and permits | \$ 48,667 | | |
| Intergovernmental: | 1,260 | | |
| State grants | 67 255 | | |
| Charges for services | 67,355 1,500 | | |
| Interest and rentals | 5,316 | | |
| Other revenue | 190 | | |
| Total revenues | 124,288 | | |
| EXPENDITURES: | | | |
| General government | 63,354 | | |
| Public safety | 5,977 | | |
| Public works | 52,039 | | |
| Recreation and culture | 677 | | |
| Capital outlay | 1,101 | | |
| Total expenditures | 123,148 | | |
| Excess of revenues over (under) expenditures | 1,140 | | |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers from other funds | 181 | | |
| Total other financing sources (uses) | 181 | | |
| Excess of revenues and other financing sources over (under) expenditures | | | |
| and other financing uses | 1,321 | | |
| fund balance, beginning of year | 165,130 | | |
| Fund balance, end of year | \$ 166,451 | | |

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - AMENDED BUDGET AND ACTUAL

For the Year Ended March 31, 2004

| | | GE | NERAL FUND | | | |
|--|-----------------------|----|------------|--|---------|--|
| | Amended Budget | | Actual | Variance Favorable (Unfavorable) | | |
| REVENUES: | | | | | | |
| Taxes | \$ 40,000 | \$ | 48,667 | \$ | 8,667 | |
| Licenses and permits Intergovernmental: | - | | 1,260 | | 1,260 | |
| State grants | 70,000 | | 67,355 | | (2,645) | |
| Charges for services | 2,500 | | 1,500 | | (1,000) | |
| Interest and rentals Other revenue | 6,500 | | 5,316 | | (1,184) | |
| | 1,100 | · | 190 | | (910) | |
| Total revenues | 120,100 | | 124,288 | | 4,188 | |
| EXPENDITURES: | | | | | | |
| General government | 73,399 | | 63,354 | | 10,045 | |
| Public safety | 6,000 | | 5,977 | | 23 | |
| Public works | 56,000 | | 52,039 | | 3,961 | |
| Recreation and culture | 2,500 | | 677 | | 1,823 | |
| Other Capital outlay | 500 | | | | 500 | |
| • | 1,101 | | 1,101 | | | |
| Total expenditures | 139,500 | | 123,148 | | 16,352 | |
| Excess of revenues over (under) expenditures | (19,400) | | 1,140 | | 20,540 | |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers from other funds | - | | 181 | | 181 | |
| Total other financing sources (uses) | _ | | 181 | | 181 | |
| Excess of revenues and other financing sources over (under) expenditures and | | | | | | |
| other financing uses | (19,400) | | 1,321 | | 20,721 | |
| Fund balance, beginning of year | 165,130 | | 165,130 | | | |
| Fund balance, end of year | \$ 145,730 | \$ | 166,451 | \$ | 20,721 | |

The accompanying notes are an integral part of these financial statements.

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

| | FIDUCIARY FUNDS |
|--|-----------------------------|
| | Non- Expendable Trust |
| OPERATING REVENUES: | |
| Other revenue | \$ 100 |
| Total operating revenues | 100 |
| Operating income (loss) | 100 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest income | 557 |
| Total non-operating revenue (expenses) | 557 |
| Net income (loss) before operating transfers | 657 |
| OPERATING TRANSFERS: | |
| Transfer to General Fund | (181) |
| Total operating transfers | (181) |
| Net income (loss) | 476 |
| Fund balance, beginning of year | 6,621 |
| Fund balance, end of year | \$ 7,097 |

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

| | FIDUCIARY FUNDS |
|--|-----------------------------|
| | Non- Expendable Trust |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ 100 |
| Net cash provided by (used for) operating activities | 100 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Transfer to General Fund | (181) |
| Net cash provided by (used for) non-capital financing activities | (181) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Receipt of interest | 557 |
| Net cash provided by (used for) investing activities | 557 |
| Net increase (decrease) in cash and cash equivalents | 476 |
| Cash and cash equivalents, beginning of year | 6,621 |
| Cash and cash equivalents, end of year | \$ 7,097 |

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. REPORTING ENTITY:

Sherman Township is a general law Township located in Mason County. The Township is governed by an elected five (5) member Board. Services provided include fire protection, road maintenance, cemetery maintenance, and general community enrichment services.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- 1. appoints a voting majority of the organization's board, and;
- 2. has the ability to impose its will on the organizations; or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into two generic fund types and two broad fund categories.

Governmental Funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. FUND ACCOUNTING, continued

Fiduciary Funds:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township as agent for Township officials and Township taxpayers. These funds are custodial in nature (assets equal liabilities) and do not involve the results of operations. Trust and Agency Funds maintained by the Township are the Cemetery Perpetual Care Trust Fund and Tax Collection Fund.

Account Groups:

General Fixed Assets Account Group - Fixed assets used in the Township are accounted for in the General Fixed Assets Account Group. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are excluded from general fixed assets and are valued at their market value on the date they are donated. Assets in the General Fixed Assets Account Group are not depreciated.

C. BASIS OF ACCOUNTING:

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, and operating transfers. Expenditures are recorded when the liability is incurred except for interest on long-term debt which is recorded when paid. Nonexpendable Trust Funds are accounted for using the accrual basis of accounting. Modifications from the accrual basis are as follows:

1. Property tax revenue should be recognized in accordance with MCGAA Statement 3:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

2. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

D. BUDGETS AND BUDGETARY ACCOUNTING:

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township. The Township adopts budgets on the line item level.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. TOTAL COLUMN:

The total column on the combined statements is captioned (memorandum only) to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. CASH:

Cash includes amounts in demand deposits, certificates of deposit, and short-term investments with a maturity date within three months of the date acquired by the Township.

G. RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The Township has had no claims that exceeded the insurance coverage during the past three years.

H. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

I. FINANCIAL INSTRUMENTS:

It is the Township's policy to not require collateral for financial instruments subject to off-balance sheet risk. Any losses incurred on financial instruments due to non-performance of other parties to the instruments would approximate the carrying value as of the balance sheet date.

March 31, 2004

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by PA 196 of 1997 states the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States.
- 2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
- 3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- 4. In United Statements Government or Federal agency obligation repurchase agreements.
- 5. In bankers' acceptances of United States banks.
- 6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

B. DEPOSITS:

The carrying value of deposits at March 31, 2004 is \$169,625 while the bank balance is \$170,038. Of the bank balance \$101,225 is insured by the FDIC and \$68,400 is uninsured. None of the bank balance is collateralized. The Townships deposits are in accordance with statutory authority.

NOTE 3: PENSION PLAN

The Township has a Manulife defined contribution pension plan covering all township board members, the cemetery/park caretaker, and township hall caretaker. The Township contributes 7.5% of each participant's annual salary to the plan. Participants may also make voluntary after-tax contributions although none did in the current year. Pension expense for the fiscal year ended March 31, 2004 was \$2,370 based on 2002-2003 participant wages of \$31,600.

March 31, 2004

NOTE 4: GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets is as follows:

| | Balance 3-31-03 Additions Deductions | | | | | Balance 3-31-04 | | |
|-----------------------|---|----|-------|----|---|--------------------|--------|--|
| Land | \$ 6,720 | \$ | 2,071 | \$ | - | \$ | 8,791 | |
| Buildings | 57,906 | | 1,040 | | - | | 58,946 | |
| Machinery & Equipment | 25,897 | | 3,342 | | _ | | 29,239 | |
| Total | \$ 90,523 | \$ | 6,453 | \$ | | \$ | 96,976 | |

NOTE 5: DESIGNATED FUND BALANCE

The Township Board of Trustees has designated \$5,828 of the general fund unreserved fund balance to be used for future township hall improvements.

NOTE 6: POST EMPLOYMENT BENEFITS

At this time the Township does not provide any post employment benefits to its employees other than its defined contribution pension plan.

| SUPPLEMENTAL INFORMATION |
|--------------------------|
| |
| |
| |
| |

| GENERAL FUND |
|--------------|
| |
| |
| |

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended March 31, 2004

REVENUES:

| Current Taxes: | ф. 41.70 <i>5</i> |
|--|--------------------|
| Property taxes | \$ 41,705 6,962 |
| Administration fee | |
| | 48,667 |
| Licenses and Permits: | 1 200 |
| Non-business licenses and permits | 1,260 |
| | 1,260 |
| State Grants: | |
| State revenue sharing | 65,245 |
| State SET collection fee | 2,110 |
| | 67,355 |
| Charges for Services: | 1 500 |
| Cemetery fees | 1,500 |
| | 1,500 |
| Interest and Rents: | |
| Interest earned | 3,273 |
| Rents | 2,043 |
| | 5,316 |
| Other Revenue: | 100 |
| Cemetery lots | 100 |
| Refunds and rebates | 90 |
| | 190 |
| m . 1 | 124,288 |
| Total revenues | 124,200 |
| OTHER FINANCING SOURCES: | |
| Transfers from other funds | 181 |
| Total other financing sources | 181 |
| - 0 0 | |
| Total revenues and other financing sources | \$ 124,469 |
| | |

SCHEDULE OF EXPENDITURES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:

| Township Board: | \$ | 1,860 |
|--|----|------------|
| Personnel services | Þ | 273 |
| Fringe benefits Contracted services | | 2,830 |
| Mileage/auto | | 128 |
| Dues and memberships | | 735 |
| Printing and publications | | 340 |
| Insurance | | 288 |
| | | 6,454 |
| Supervisor: | | |
| Personnel | | 5,400 |
| Fringe benefits | | 697 |
| Insurance | | 227 |
| | | 6,324 |
| Clerk: | | |
| Personnel | | 5,400 |
| Fringe benefits | | 707 208 |
| Supplies | | 10 |
| Dues and memberships | | 120 |
| Education and training Insurance | | 210 |
| nisurance | | 6,655 |
| Board of Review: | | |
| Personnel | | 612 |
| Fringe benefits | | 86 |
| Insurance | | 227 |
| | | 925 |
| Treasurer: | | 6,900 |
| Personnel | | 874 |
| Fringe benefits | | 1,209 |
| Supplies Mileage/outo | | 368 |
| Mileage/auto Printing and publications | | 1,884 |
| Insurance | | 210 |
| Utilities | | 92 |
| Other | | 2 |
| | | 11,539 |

SCHEDULE OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

| Assessor: | 1,756 |
|-------------------------------------|-----------|
| Supplies Contracted services | 9,305 |
| | 898 |
| Printing and publications Insurance | 229 |
| nisurance | 12,188 |
| | 12,100 |
| Elections: | 20 |
| Supplies | 29 210 |
| Insurance | |
| | 239 |
| Building and Grounds: | |
| Personnel | 1,550 |
| Fringe benefits | 246 |
| Insurance | 2,404 |
| Utilities | 3,376 |
| Repairs and maintenance | 2,418 |
| | 9,994 |
| Attorney: | |
| Contracted services | 136 |
| | 136 |
| Cemetery: | |
| Personnel | 1,855 |
| Fringe benefits | 341 |
| Supplies | 137 |
| Contracted services | 5,805 |
| Mileage/auto | 49 |
| Printing and publications | 264 |
| Insurance | 229 |
| Repairs and maintenance | 220 |
| | 8,900 |
| Total general government | 63,354 |

SCHEDULE OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

| Public Safety: | |
|------------------------------|----------|
| Fire: | |
| Contracted services | 5,977 |
| | 5,977 |
| Total public safety | 5,977 |
| Public Works: | |
| Department of Public Works: | |
| Insurance | 209 |
| | 209 |
| Drains – Public Benefit:: | |
| Contracted services | 450 |
| | 450 |
| Roads: | 51.272 |
| Contracted services | 51,272 |
| | 51,272 |
| Street Lighting: | 108 |
| Utilities | |
| | 108 |
| Total public works | 52,039 |
| Recreation and Culture: | |
| Parks and Recreation: | |
| Personnel | 240 |
| Fringe benefits | 18 34 |
| Mileage/auto Insurance | 229 |
| Utilities | 96 |
| Repairs and maintenance | 60 |
| | 677 |
| Total recreation and culture | 677 |

SCHEDULE OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Capital Outlay:

| General Government: | |
|-----------------------|------------|
| Clerk | 287 |
| Buildings and grounds | 814 |
| | 1,101 |
| Total capital outlay | 1,101 |
| Total expenditures | \$ 123,148 |

| AGENCY FUND |
|-------------|
| |
| |
| |
| |

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

| | Balanc April 1 2003 | | F | Additions | D | eductions | Balance March 31, 2004 | |
|---|---------------------------|---|----|-----------|----|-----------|------------------------------|----------|
| TAX COLLECTION FUND | | | | | | | | |
| ASSETS: Cash and cash equivalents | \$ | - | \$ | 629,333 | \$ | 629,333 | \$ | _ |
| LIABILITIES: Due to other governmental units | \$ | | \$ | 629,333 | \$ | 629,333 | \$ | <u>-</u> |



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Township Board Sherman Township Mason County, Michigan

We have completed our audit of the financial statements of Sherman Township for the year ended March 31, 2004, and have issued our report thereon dated June 18, 2004. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township board is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Sherman Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Township board and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company Certified Public Accountants

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June 18, 2004